GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:163
ANSWERED ON:16.07.2004
THE DEBT BURDEN OF THE COUNTRY
Kurup Adv. Suresh;Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) the internal and external debt of the country as on date;

(b) whether there was a steep hike in external and internal debt during 2003-2004;

(c) whether Non-Resident Indians` deposits have influenced the level of external debt of the country as reported in the `Hindu` dated the June 19,2004;

(d) if so, the details thereof alongwith the reasons therefor ;

(e) the amount of interest and debt servicing charges being paid for these loans annually;

(f) whether the Government proposes to prepay the foreign debt keeping in view the strong forex reserve;

(g) if so, the details thereof; and

(h) the steps taken by the Government to reduce the debt burden of the country?

Answer

Minister of Finance (SHRI P.CHIDAMBARAM)

(a) to (h) : A statement is placed on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. 163 by Shri Suresh Kurup and Shri Mohan Singh regarding ` The Debt Burden of the Country` for answer on July 16th, 2004.

(a) The Revised Estimates for 2003-2004 place the internal debt of the Central Government at Rs.1,134,020 crore as on March 31,2004. The external debt of the Central Government, at current exchange rates, amounted to Rs.184,099 crore as on March 31, 2004.

(b) No, Sir. During 2003-2004, the internal debt of the Central Government increased by 11.1 per cent as compared to an increase of 11.8 per cent in 2002-2003. However, the external debt on Government account registered a decline of 6.1 percent during 2003-2004 as compared to the decline of 1.9 per cent in 2002-2003.

(c) Yes, Sir.

(d) The NRI deposits increased by US $ 7.2 billion during the year ending December 2003. The increase in NRI deposits mainly reflected the crediting of the maturity proceeds of Non-Resident (Non-Repatriable) Rupee Deposit [NR (NR)RD] Accounts into the Non-Resident (External)Rupee Accounts [NR(E)RA] of the holders effective April,2002. The deposits under the NR(NR)RD scheme were not included earlier as a component of the stock of external debt given their non-repatriable character.

(e) Details of interest and debt service payments made during the last two years in respect of internal and external debt of the Central Government are as under:

Debt Service Payments (Rs crore)

	Internal Debt		External Debt	
	2002-03 (A)	2003-04 (RE)	2002-03	2003-04 (P)

Interest Payment	91,472	95,345	4,532	3,182
Principal Repayment#	62,874	1,29,641	24,030	25,194
Total Debt Service Payments	1,54,346	2,24,986	28,562	28,376

: Excludes discharge of 91 days & 14 days Treasury Bills, Ways & Means Advances in respect of Internal debt.
A : Actuals;
RE : Revised Estimate;
P : Provisional.

(f) & (g): Taking advantage of the low level of interest rates prevailing in the domestic market and the comfortable level of foreign exchange reserves, the Government of India has prepaid multilateral and bilateral loans to the extent of US $ 2.9 billion and US $ 3.8 billion during the years 2002-03 and 2003-04, respectively.

(h): Government has been following the policy of fiscal rectitude which aims at higher tax revenues and moderation in the growth of non-plan expenditure so as to reduce the revenue deficit and gross fiscal deficit and thereby contain borrowings. Enactment of Fiscal Responsibility and Budget Management Act, 2003 and its notification along with Rules made thereunder on July 5, 2004 are reflective of the commitment of the Government to eliminate revenue deficit and moderate public debt in a time bound manner. Similarly, prudent external debt management policies pursued by the Government have helped in maintaining a comfortable external debt position. These policies include emphasis on raising funds on concessional terms with longer maturities, close monitoring of the short-term debt, prepaying high cost loans and encouraging non-debt creating capital flows.